

## **House Insurance Committee Testimony**

### **Governor Snyder's recommendations to amending PA 350 of 1980 and the Insurance Code of 1956**

### **Senate Bills 1293 & 1294**

**November 20, 2012**

**Presented by  
Jennifer D. Kluge, President and CEO**

On behalf of the Michigan Business and Professional Association (MBPA) and Michigan Food and Beverage Association (MFBA), I thank the Chairman and the members of this committee for putting in a tremendous amount of work hearing from all sides of this issue. All of us who are going to be affected by these changes – businesses, our employees, and their families – are confident that the Legislature is taking a very deliberative approach to this issue.

We must remember that we have been talking about reforming Michigan's 32-year-old health insurance system since at least 2007. And when Governor Snyder delivered his health address last year, the dialogue picked up steam and all stakeholders rolled up their sleeves and got down to work. Today's hearing reminds us that the debate remains vigorous and that no stone is being left unturned.

After years of discussions, we cannot afford any further delays and the time to act is now. These proposals are an idea whose time has come and that's why your role is so crucial. From the perspective of small businesses, the status quo is no longer acceptable, nor is it sustainable. We hear every day from our 20,000 small-business members. The Number One thing they talk about is: How can I keep health care costs in check so I can do the right thing and provide health coverage for my employees? All health insurers should be regulated under the same code and play by the same rules.

We know that once you level that playing field, it will force insurance carriers to compete for customers by holding down costs and improving quality. A level playing field gives small businesses and their employees certainty and more choices, both of which naturally drive down costs. Businesses need to know that they will not face skyrocketing healthcare premiums the next time they renew. Acting now – not next year – will send a signal to Michigan small businesses that are still struggling, that this Legislature is serious about giving them the certainty they need to plan ahead. It will directly impact their ability to strengthen their bottom lines now.

This proposal will significantly restructure the Medigap subsidy, eventually eliminating the “tax” Blue Cross’ small business and individual customers currently pay to subsidize other lines of insurance coverage, notably Medigap. This tax costs the business community and individuals more than \$200 million a year. Savings to small business can be reinvested back into the Michigan economy, including hiring more people and providing insurance to more workers. Small businesses cannot stress enough how critical this issue is to our ability to survive and compete, and that’s why restructuring Michigan’s broken health insurance system without delay is essential.

Businesses are concerned about any proposal that will require insurers to pay hospitals more in order to make up for uncompensated care. Doing so will result in higher premiums for Michigan families as well as small businesses. It will also do nothing to control rising health care costs, but simply shifts the costs to consumers and small businesses. Cost shifting will discourage innovation, and divert our attention from tackling the real issue; ensuring hospitals get adequate compensation from programs such as Medicare and Medicaid. Government should not be doing this on the backs of families and small businesses, by raising their health premiums.

The MBPA/MFBA works with thousands of small-businesses that are committed to supporting their employees. For these businesses, providing health insurance for their employees is the right thing to do. This issue is both a business issue as well as a consumer issue. By passing these reforms now, we can strengthen the ability of small businesses to continue providing health coverage to their employees. This affects their workers as well as their families, giving more people access to health care, and that helps all of us. Furthermore, by increasing competition, as these proposals do, businesses and their employees will have quality care and more choices when selecting their healthcare plans.

These reforms will actually reduce the role of cumbersome government bureaucracy in our health care system. By increasing competition, modernizing our system and providing more choices, we empower consumers and businesses so they can make more choices about their own care. This not only unleashes innovation and competition, it ultimately reduces burdensome government obstacles.

Blue Cross Blue Shield of Michigan has committed to spend \$1.5 billion to make its social mission more accountable, effective, and transparent. We feel strongly that wellness initiatives are critical in containing future health care costs. More can be done in the future by working with small businesses in proactive wellness initiatives. We are confident that this amount is enough and holds the line without raising rates on businesses and individuals, or decimating the reserves Blue Cross Blue Shield is required to hold. We are concerned that any increases in this amount would be on the backs of our members, the small business community.

The MBPA/MFBA welcomes changes that can further strengthen Senate Bills 1293 and 1294, and we look forward to assisting you in any way we can. With these reforms, Michigan has an opportunity to become a health care leader and a model for the future of the health care sector. We have an opportunity to act now to streamline our health insurance system so businesses, consumers, and Michigan’s overall economy can benefit.

In summary, our main points are:

- Reforming Michigan's 32-year-old health insurance system
- All health insurers should be regulated under the same code and play by the same rules, which will force insurance carriers to compete for customers by holding down costs and improving quality.
- This proposal will significantly restructure the Medigap subsidy, eventually eliminating the "tax" Blue Cross' small business and individual customers currently pay to subsidize other lines of insurance coverage, notably Medigap.
- The MBPA/MFBA is concerned about any proposal that will require insurers to pay hospitals more in order to make up for uncompensated care. Doing so will result in higher premiums for Michigan families, as well as small businesses.
- These reforms will actually reduce the role of cumbersome government bureaucracy in our health care system.
- As it relates to the \$1.5 billion that Blue Cross Blue Shield of Michigan has committed to spend, we feel strongly that wellness initiatives are critical in containing future health care costs. The MBPA/MFBA is concerned that any increases in this amount would be on the backs of our members, the small business community.